

Message Text

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PAGE 01 MONROV 07890 051722Z

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TAGS: EMIN, EINV, LI

SUBJECT: NEGOTIATION ON MODIFICATION OF WOLOGISI IRON ORE
MINING CONCESSION AGREEMENT

1. NEGOTIATION BETWEEN REPRESENTATIVES OF AMAX, JG (JAPANESE GROUP CONSISTING OF DAWASAKI STEEL, C. ITOH, TOYOMENKA, MARUBENI, AND NISSHO IWAI) AND LISCO (LIBERIA IRON AND STEEL CORPORATION) AND GOL TOOK PLACE IN MONROVIA BETWEEN OCT. 26 AND 30. THEY WERE RESUMED AFTER BEING ADJOURNED ON SEPT. 17 BECAUSE OF DEPARTURE OF KEY GOL OFFICIAL SACCOMPANYING PRESIDENT TOLBERT ON STATE VISIT TO U.S.

2. ACCORDING TO RELIABLE SOURCES AGREEMENT HAD BEEN REACHED ON MOST OUTSTANDING ISSUES BY OCT. 30 EXCEPT ON TWO POINTS. GOL SUBSEQUENTLY COMPROMISED ON THEM AS FOLLOWS:

A. ONE PERCENT ROYALTY PAYMENTS FOR FIRST 10 YEARS AND TWO PERCENT THEREAFTER. ROYALTY PAYMENTS WILL NOT BE CREDITED TOWARD MEETING INCOME TAX OBLIGATION.

B. GOL WILLING TO CONSIDER SOME FORMULA OR MECHANISM WHICH WOULD PRESERVE 20 PERCENT LIBERIAN EQUITY PARTICIPATION DURING FIRST 4 YEARS OF CONSTRUCTION WHEN AGREED DEBT EQUITY RATIO PERMITTED WOULD BE 4 TO 1 AND LATER DURING PRODUCTION PHASE WHEN MAXIMUM RATION WOULD BE 3 TO 1.

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PAGE 02 MONROV 07890 051722Z

3. AMAX LOCAL LAWYER CLARENCE SIMPSON HAS TAKEN FOREGOING

TWO POINTS FROM FINANCE MINISTER PHILLIPS TO NEW YORK CITY FOR DISCUSSION WITH REPRESENTATIVES OF AMAX, JG AND LISCO. SIMPSON HOPES TO RETURN TO MONROVIA ABOUT NOV. 10 WITH RESOLUTION OF OUTSTANDING ISSUED.

4. COMMENT:

IF AGREEMENT CAN BE REACHED ON REVISION OF CONCESSION AGREEMENT, A MAJOR OBSTACLE TOWARD IMPLEMENTATION OF THIS LARGE MINING PROJECT WILL HAVE BEEN OVERCOME. THE REMAINING PROBLEMS OF COST REDUCTIONS (NOW ESTIMATED AT \$1.4 BILLION), FINANCING, AND FINDING MARKETS FOR IRON ORE ARE EXPECTED TO BE RESOLVED WITHIN SEVERAL MONTHS. ALL PARTIES INVOLVED ARE REPORTEDLY ANXIOUS TO PROCEED WITH PROJECT AS SOON AS POSSIBLE. FOR FIRST TIME IN MANY YEARS THERE APPEARS TO BE BETTER THAN EVEN CHANCE THAT CONSTRUCTION COULD GET UNDER WAY AS EARLY AS FALL OF 1977.
CARTER

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